



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 17, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", written over a horizontal line.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATUS REPORT ON CONTRACTS AND INVESTMENTS WITH ARIZONA-BASED COMPANIES

On June 1, 2010, your Board adopted a motion as recommended by Supervisors Molina and Yaroslavsky, to oppose Arizona's Senate Bill (SB) 1070 related to enforcement of federal immigration laws. Included in this multi-part motion, your Board directed the following:

- Direct the Chief Executive Officer (CEO) to suspend all travel to the State of Arizona for the conduct of County business unless the CEO finds that the failure to authorize such travel would seriously harm the County's interests [part 2 of this motion];
- Direct the CEO and the Treasurer and Tax Collector (TTC) to review all County investments in Arizona securities such as State or municipal bonds; and, to the extent practicable and in accordance with their fiduciary duties, adopt policies of divestment and future non-investment in such Arizona securities [part 3 of this motion];
- Direct the CEO in consultation with County Counsel, to review the terms of all existing contracts with Arizona-based or headquartered companies and report to the Board in two weeks on how and within what time frame these contracts may be legally terminated, without causing undue harm to the County's interests [part 4 of this motion]; and

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- Direct County Counsel, the CEO, and the Director of Internal Services (ISD) to report to the Board in two weeks with recommendations as to further Board action, including ordinance amendments, if any, deemed necessary to fully effectuate this resolution [part 8 of this motion, third sentence].

Current Actions

Our Office issued a memo to all department heads stating effective immediately, departments must suspend any County business travel to the State of Arizona unless authorized by this Office under the terms of the Board motion. The memo further instructs County departments to refrain from entering into new or amended contracts to purchase goods or services from any company based or headquartered in Arizona. Exceptions to this restriction may include situations that are legally impermissible or impractical, result in significant additional cost to the County, or are pre-approved by this Office.

The TTC reviewed the County's investments and reported there are no investments in Arizona securities. In addition, TTC will refrain from investing in Arizona securities until the suspension or repeal of SB 1070.

Your Board has been provided with a summary of eCAPS accounting data to identify County payments to Arizona addresses during the last five fiscal years. Although contractors' remittance processing addresses may differ from their corporate headquarters, this data was used as a starting point to identify contractors that are headquartered in Arizona.

Because each County department manages its own service contracts, we provided departments with lists of their payments to Arizona addresses, and asked them to identify the following information:

- The current status of each agreement (e.g., active or inactive).
- The type of agreement (e.g., Board contract, spot purchase order, etc.).
- Whether the contractor is based or headquartered in Arizona.
- Any applicable contract termination provision(s).
- The operational and/or financial impact of termination.

To date, we have received complete survey responses from 27 of 34 affected County departments. We are continuing to work with the remaining departments to resolve questions and ensure completion of this survey.

Each Supervisor
June 17, 2010
Page 3

Based on departmental information received to date, we have preliminarily identified 17 County contracts with businesses that are based or headquartered in Arizona. As we identify County contractors who are based or headquartered in Arizona, the relevant documents will be referred to County Counsel for detailed review and reporting to your Board.

Next Steps

We will report back to your Board on the following actions within the next 45 days:

1. We continue to work with the remaining County departments to complete the information requested by the survey. After completing the survey, each department will need to forward copies of contracts identified as involving Arizona-based businesses to County Counsel for review.
2. To determine if there are additional Arizona-based contractors that have not been identified, departments are required to research other active contracts to identify Arizona-based vendors, and provide those contracts to County Counsel for review. We are evaluating electronic search capabilities to limit the scope of this review.
3. Pursuant to the Board's action, County Counsel continues to look at how best to evaluate the process for termination of contracts and/or not awarding contracts to businesses based or headquartered in Arizona, given the principles guiding contracting by public entities. As part of this review, County Counsel is discussing the options and attendant legal issues with attorneys in other jurisdictions which have enacted similar initiatives, such as the City of Los Angeles. Those recommendations will be presented to your Board under a separate memorandum.

If you have any questions, please have your staff contact Ellen Sandt, Deputy Chief Executive Officer at (213) 974-1186 or via email at esandt@ceo.lacounty.gov.

WTF:ES:TT
JJ:GS:LG:cg

c: Executive Office, Board of Supervisors
County Counsel
Internal Services
Treasurer and Tax Collector